



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sharon Erickson
Jennifer A. Maguire

SUBJECT: APPROVAL OF SECOND AMEND- DATE: October 10, 2012
MENT TO THE AGREEMENT WITH
MACIAS, GINI, & O'CONNELL LLP

RECOMMENDATION

1. Approval of a Second Amendment to the Agreement for audit services with Macias, Gini, & O'Connell LLP and the City of San Jose to provide audit services to the San Jose Diridon Development Authority (Audit of Financial Statements for FY2011-2012) in an amount not to exceed \$14,250 and authorization to exercise future options through FY 2013-2014, subject to annual appropriation of funds by the City Council for a total contract amount not to exceed \$2,770,435.
2. Adopt the following Appropriation Ordinance amendments in the San José Diridon Development Authority Fund:
 - a. Increase the Non-Personal/Equipment appropriation by \$14,250; and
 - b. Decrease the Ending Fund Balance by \$14,250.

BACKGROUND

In June 2010, the City entered into an agreement with Macias, Gini, & O'Connell LLP for audit services for various entities of the City, in an amount not to exceed \$2,631,455. Since that time, the contract was amended to add audit of the Airport Customer Facility Charge (CFC). The City now needs additional audit services that are not covered by the current contract.

On March 8, 2011, the City of San Jose entered into a Joint Powers Agreement ("JPA") with the San Jose Redevelopment Agency for the San Jose Diridon Development Authority. Pursuant to Section 5.3 of the JPA, the City's Director of Finance was designated as the Authority's auditor. Pursuant to Section 6.1 of the JPA, the Authority's auditor shall, "within one hundred twenty (120) days after the close of each fiscal year, cause an independent audit of all financial activities for such fiscal year to be prepared in accordance with Government Code Section 6505".

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The purpose of this memorandum is to request Council approval of an amendment to the City's current contract with the firm of Macias Gini & O'Connell LLP to accommodate the additional auditing requirement.

ANALYSIS

In order to comply with the terms of the above-mentioned Joint Powers Agreement, the audit contract with Macias, Gini, and O'Connell LLP needs be amended to add annual audits of the financial activities of the San Jose Diridon Development Authority. The fee for these services is an amount not to exceed \$14,250 for the FY2011-12 audit. The City has the right to extend the term of the agreement for fiscal years ended 2013 and 2014, with compensation increases tied to a specific Consumer Price Index (CPI), but not to exceed 5% per year.

PUBLIC OUTREACH/INTEREST

This memorandum is posted on the City's website for the October 23, 2012 Council Agenda.

COORDINATION

The City Auditor's Office has coordinated this memorandum with the City Attorney's Office, the Finance Department, and the Office of Economic Development. The Macias Gini and O'Connell LLP contract terminates upon completion of the June 30, 2012 audit, with options to extend for two additional years.

COST SUMMARY/IMPLICATIONS

The one-time cost of this independent audit is not to exceed \$14,250. In addition, staff seeks authorization to proceed with future years' audits for an annual fee not to exceed \$14,250, subject to the following: the options to extend the contract being exercised; annual compensation adjustments as stipulated in the agreement, and the City Council's annual appropriation of funds to the annual audit contract. These additional auditing services will be funded through a decrease in the San Jose Diridon Development Authority Fund's Ending Fund Balance. With this amendment, the total contract cost for the City's agreement with Macias, Gini & O'Connell LLP will total an amount not to exceed \$2,770,435.

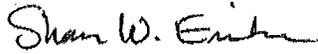
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CEQA

Not a Project, File No. PP10-067 (b), Appropriation Ordinance.



Sharon Erickson
City Auditor



Jennifer A., Maguire
Budget Director

For questions please contact Sharon Erickson, City Auditor at (408) 535-1250

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